



**MINISTRY OF INTERNAL AFFAIRS  
GOVERNMENT OF THE COOK ISLANDS**

**2015 Minimum Wage Review**

In April 2014, the minimum wage was increased from \$5 to \$6 an hour to help those on low incomes cope with inflation since the minimum wage was set in 2006 and the increase in VAT on 1 April 2014.

The Minimum Wage rate will affect everyone in the Cook Islands. In deciding on a minimum wage there needs to be a balance between needs of workers and the ability of all sectors to afford any increase.

Submissions on the Minimum Wage are now invited from the public. Your views are important. All points raised will be reviewed by the Minimum Wage Review Panel and taken into account when compiling its report to the Minister.

Below are issues identified for consideration in the review. Your input on these is invited. Please add other points that you think are important for the review.

**General Considerations:**

1. Any minimum wage increase must be paid for from somewhere. It can come from diverted government funds, increased prices, reduced company profits and increased company losses.
2. The minimum wage should balance the need to adequately compensate an entry level worker against affordability of government and businesses.
3. Employers need to access labour efficiently and affordably.
4. The cost of a minimum wage increase beyond the growth of the economy will draw resources, even if only slightly, from other areas in the economy.
5. It is prudent to avoid measures producing excessive inflation and price rises.
6. The current minimum wage (\$6/hour) in the Cook Islands is significantly higher than in most other countries in the Asia Pacific region but is lower than in New Zealand or Australia (noting that New Zealand and Australia are amongst countries that provide the highest minimum wages in the world and it is unrealistic to base local minimum wages on their precedent).
7. The minimum wage should strike a balance at the economy-wide level between workers and employers.
8. Do you think there is a need for a government set minimum wage or would you rather leave that to the market forces to decide? Why?

**Issues for Workers:**

1. What do you feel is a realistic minimum wage for an entry level worker?
2. Do you think there is a need for industry specific minimum wage rates?
3. Do you think there is a need for a youth minimum wage rate?
4. Are you currently paid the minimum wage? Do you think the current wage is fair relative to other wages?
5. Is the level of the minimum wage a factor in deciding whether to take up unskilled work locally, rather than leave for work overseas?
6. Is the current minimum wage of \$6/hour, enough to meet minimum living costs for a single person?

- for a couple? for a family?
7. Is employment on the minimum wage preferable to subsistence work such as planting or fishing?
  8. Would students' decisions about when to leave school and enter employment be influenced by a higher minimum wage rate?
  9. Is the current minimum wage suitable for workers in the Pa Enea? Or should the Pa Enea have a different minimum wage rate?

#### **Issues for Employers:**

1. What do employers feel is a realistic minimum wage for an entry level worker?
2. Are employers currently paying a significant number of workers the minimum wage or near the minimum wage (near being within \$1)?
3. Would an increase in the minimum rate have a significant impact on their business?
4. If so, would employers need to increase prices? Reduce staff hours? Lay off staff? Absorb costs through reduced profits? Close down?
5. Would a higher minimum wage put pressure on other wage bands for an increase?
6. How does the minimum wage rate influence decisions to employ foreign workers?
7. Would a higher minimum wage have a greater impact on employers in the Pa Enea?
8. How would an increase in the minimum wage affect industries that rely on relatively inexpensive labour (for example: agriculture)? Would commercial operations in these industries be able to afford an increase?
9. Would the increase encourage businesses to be more productive?

#### **Issues for Government:**

1. Will an increase in the minimum wage for public servants be affordable?
2. What are the inflationary impacts of a minimum wage increase, and in which sectors?
3. Are there minimum wage considerations particular to the Pa Enea?
4. Does a minimum wage increase conflict with other Government policies in relation to sector growth (for example, in agriculture or fisheries)?
5. Does an increase in the minimum wage channel more money in the economy to low income earners?
6. Does an increase in the minimum wage cause job losses? E.g. Employers may be forced to reduce hours
7. Will an increase have an impact on government worker job sizing bands?
8. There may be budget constraints for overall government payroll, particularly in the Pa Enea. Should Pa Enea minimum-wage public servants be able to work reduced hours at a higher wage rate, maintaining or slightly improving their current income while giving them more time for fishing / planting etc?

**Written submissions in Maori and English can be emailed, faxed, or dropped off at the Ministry of Internal Affairs. Submissions will remain confidential to the Panel.**

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**Fax:** 23680 **Subject:** 2015 Minimum Wage Review (fax for free from your Island Administration)

**Mail:** Minimum Wage Review Panel, Ministry of Internal Affairs, PO Box 98, Rarotonga, Cook Islands

**Oral submissions:** At a public meeting, 17 February 2015 (Tuesday) 12pm lunch time, at Ministry of Finance and Economic Management, Avarua.

**The closing date for submissions is: 20/02/2015**